

## Fiscal Estimate - 2009 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> <b>09-4374/1</b>		<b>Introduction Number</b> <b>SB-590</b>	
<b>Description</b> Petitions and management plans for the designation of managed forest land; transferrals of ownership of managed forest land; establishing stumpage values, filing cutting reports, and estimating withdrawal taxes under the managed forest land program; signatures and authentication requirements for orders under the forest croplands program; granting rule-making authority; making an appropriation; and providing a penalty			
<b>Fiscal Effect</b>			
<b>State:</b>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input type="checkbox"/> No State Fiscal Effect</div><div style="width: 50%;"><input type="checkbox"/> Indeterminate</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Increase Existing Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Decrease Existing Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"></div><div style="width: 33%;"><input type="checkbox"/> Decrease Costs</div></div>			
<b>Local:</b>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input checked="" type="checkbox"/> No Local Government Costs</div><div style="width: 50%;"><input type="checkbox"/> Indeterminate</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;">1. <input type="checkbox"/> Increase Costs</div><div style="width: 33%;">3. <input type="checkbox"/> Increase Revenue</div><div style="width: 33%;">5. Types of Local Government Units Affected</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;">2. <input type="checkbox"/> Decrease Costs</div><div style="width: 33%;">4. <input type="checkbox"/> Decrease Revenue</div><div style="width: 33%;"><input type="checkbox"/> Counties      <input type="checkbox"/> Others</div></div>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts</div></div>			
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b>			
<div style="display: flex; flex-wrap: wrap;"><div style="width: 25%;"><input type="checkbox"/> GPR</div><div style="width: 25%;"><input type="checkbox"/> FED</div><div style="width: 25%;"><input type="checkbox"/> PRO</div><div style="width: 25%;"><input type="checkbox"/> PRS</div><div style="width: 25%;"><input checked="" type="checkbox"/> SEG</div><div style="width: 25%;"><input type="checkbox"/> SEGS 20.370 (1)(mv)</div></div>			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DNR/ Joe Polasek (608) 266-2794		Joe Polasek (608) 266-2794	
		<b>Date</b>	
		3/16/2010	

**Fiscal Estimate Narratives**  
**DNR 3/16/2010**

LRB Number	<b>09-4374/1</b>	Introduction Number	<b>SB-590</b>	Estimate Type	<b>Original</b>
<b>Description</b> Petitions and management plans for the designation of managed forest land; transferrals of ownership of managed forest land; establishing stumpage values, filing cutting reports, and estimating withdrawal taxes under the managed forest land program; signatures and authentication requirements for orders under the forest croplands program; granting rule-making authority; making an appropriation; and providing a penalty					

**Assumptions Used in Arriving at Fiscal Estimate**

The bill streamlines the administration of the Managed Forest Land (MFL) program by creating one application date, providing a process to get a withdrawal tax estimate, eliminating the creation of stumpage values through the rulemaking process, and clarifying language and internal management processes.

FISCAL IMPACT. The bill's proposed changes to the MFL program include the following:

Changes terminology by substituting the words "applicant" and "application" for "petitioner" and "petition." This change in terminology will make it easier for the public to understand the MFL program and to know who and what they will have to do if they are applying for the program. This change will have no fiscal impact.

Changes deadline for owners to file applications to renew MFL orders and change in the dates before which DNR must act on applications. This change will eliminate the current March 31, July 1 and May 15 deadlines and create a June 1 deadline. Fiscal impacts will be minimal and involve a one-time cost of printing new applications and the staff time needed to redesign and approve the new form. DNR prints 8,000 applications annually, so the one-time cost of printing new applications will be \$1,085. The Department assumes that 20 hours of staff time will be needed to create and approve the application, and that most of the work will be done by LTEs, resulting in a total one-time staff cost of \$360.

Ch. NR 46, Wis. Admin. Code will need revision after this bill becomes effective to comply with state statutes. Part of the NR 46 changes will define the conditions needed for landowners to show that services of a private certified plan writer are not readily available before DNR will be allowed to prepare a management plan.

There will be minimal fiscal impact to implement these changes. There will be staff time associated with updating NR 46, Wis. Admin. Rule and the Forest Tax Law Handbook. The Department estimates that 80 hours of staff time will be needed to make these changes, resulting in one-time staff costs of \$2,760 (80 hrs x \$34.50/hr.).

Requires that the Department of Natural Resources and the Department of Revenue provide a withdrawal tax estimate for landowners. Under the bill, landowners would be able to request a withdrawal tax estimate through the Department of Revenue with assistance from the Department of Natural Resources. This bill establishes a non-refundable fee of \$100 or \$5.00 per acre or partial acre for calculating a withdrawal tax estimate. The withdrawal tax estimate fee will be payable to the Department of Revenue.

The Department of Natural Resources costs associated with withdrawal tax estimates include the cost of preparing and printing the forms. Roughly 20 hours of staff time would be used to prepare and approve the withdrawal tax estimate request form, resulting in one-time costs of \$690 (20 hrs. x \$34.50/hr.). Printing of the new forms will cost roughly 3 cents per sheet, resulting in one-time printing costs of \$60 for 2000 forms [2,000 x \$0.03].

Eliminates the requirement that stumpage values used to determine the amount of yield taxes under the forest tax law programs be established in rule. This proposal would allow for stumpage values to be created through DNR policy rather than through administrative rule. The Department estimates that 117 hours of staff time are spent annually on developing stumpage rate determinations through the rulemaking process. Although the proposed changes would eliminate the need to appear before the Natural Resources Board and to seek legislative approval of rule changes, the Department would use the same process to gather stumpage values, hold public hearings, revise stumpage values based on the hearings and publish the

results. Therefore, DNR will not incur increased costs to implement this provision.

Provides the ability to have electronic signatures printed on Forest Crop Land (FCL) transfers and withdrawals. Currently all FCL orders require original signatures from Department staff. This change would allow for electronic signatures to be inserted on the documents. There will be minimal fiscal impacts related to implementing this change since the infrastructure to implement this change is already available. Roughly 8 hours of staff time will be needed to change the DNR computer software program to allow electronic signatures on Forest Crop Law documents at an estimated one-time cost of \$276 (8 hours x \$34.50 per hour of staff time).

Clarifies wording to insure that proposed cutting on Managed Forest Law lands must conform to the management plan and be consistent with sound forestry practices. This change does not have a fiscal impact.

Clarifies the dates when yield tax payments are due for landowner payment. This change does not have a fiscal impact.

Clarifies that the buyer is responsible for notifying the Department on transfer of MFL lands and for paying the transfer fee. This change will eliminate the need for the seller to submit a notice to the Department that they have sold MFL lands. There is no fiscal impact associated with this change.

Creates a penalty for failure to file a cutting report. This change allows for the same penalties that applies to people who file false cutting reports would also apply to people who fail to file any cutting report. This provision will have little fiscal impact on the state and will be limited to the time associated with processing the penalty

Creates a requirement for disclosure of MFL lands to prospective buyers. This change requires landowners to disclose to prospective buyers lands enrolled in the MFL program when contracts of sale or options to purchase had been made. Fiscal impacts will be limited to changing real estate transfer forms to include the new requirement.

In summary, the Department estimates that it will incur one-time costs totaling \$5,231 to implement this bill, which includes \$3,726 for 108 hours of permanent staff time (108 hrs. x \$34.50 = \$3,726), \$360 for 20 hours of LTE staff time, and \$1,145 for printing costs.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>09-4374/1</b>	<b>Introduction Number</b> <b>SB-590</b>	
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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$5,200 related to revising NR 46, Wis. Admin. code, and developing and printing new forms		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DNR/ Joe Polasek (608) 266-2794	Joe Polasek (608) 266-2794	3/16/2010

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<div style="display: flex; justify-content: space-between;"> <div> <b>Fund Sources Affected</b>  <input checked="" type="checkbox"/> GPR   <input type="checkbox"/> FED   <input type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEGS GPR - Earned                     </div> <div> <b>Affected Ch. 20 Appropriations</b> </div> </div>		
<b>Agency/Prepared By</b>  DOR/ Daniel Huegel (608) 266-5705	<b>Authorized Signature</b>  Paul Ziegler (608) 266-5773	<b>Date</b>  3/12/2010

## Fiscal Estimate Narratives

DOR 3/12/2010

LRB Number	09-4374/1	Introduction Number	SB-590	Estimate Type	Original
<b>Description</b> Petitions and management plans for the designation of managed forest land; transferrals of ownership of managed forest land; establishing stumpage values, filing cutting reports, and estimating withdrawal taxes under the managed forest land program; signatures and authentication requirements for orders under the forest croplands program; granting rule-making authority; making an appropriation; and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

The bill amends several statutes affecting the Forest Crop Law (FCL) and Managed Forest Law (MFL) programs. Primary administrative responsibility for these programs is with the Department of Natural Resources (DNR). The Department of Revenue's (DOR) is responsible for calculating certain landowner fees (the acreage share and closure fees) and for assisting the DNR in calculating the "withdrawal tax" for those parcels that are taken out of either program. While the bill makes several changes, this fiscal note is limited to discussing how the bill affects the calculation of the "withdrawal tax".

Land enrolled under the FCL is exempt from property taxes. Landowners could enroll their land for a 25-year or 50-year period. An FCL landowner must currently make an annual "acreage share" payment to the municipality where the land is located of \$0.10 per acre for land enrolled before 1972, \$1.66 per acre for land enrolled after 1972, or \$0.20 per acre for certain "special class" land enrolled from 1949 to 1963. When timber is harvested, a severance tax of 10% of the value of the harvested timber is imposed. If land is withdrawn from the program by owner request or by order of the DNR, a "withdrawal tax" is imposed. This tax equals the sum, for the years the land was enrolled in the program, of the differences between the real estate taxes that would have been levied on the land and any landowner payments (acreage shares and severance taxes) made on the land. Each year's difference is subject to interest at 12% per year (5% for contracts entered on or before December 31, 1977) for each year the real estate tax has been deferred.

Land enrolled under the MFL is exempt from property taxes. Landowners can enroll their land for a 25-year or 50-year period. An MFL landowner must currently make an annual "acreage share" payment to the municipality where the land is located of \$0.67 per acre on land enrolled before April 28, 2004, and \$1.67 per acre for all other land. An additional annual fee, called the "closure fee", is due on land closed to public access. This fee is currently \$0.90 per acre for MFL entries that took effect before April 28, 2004 and \$6.67 per acre for all other land. When timber is harvested on MFL land, a "yield tax" of 5% of the value of the harvested timber is imposed. If land is withdrawn from the program by owner request or by order of the DNR, a "withdrawal tax" is imposed. For land that has been enrolled only under the MFL program, this tax is the greater of (a) the product of the net assessed value tax rate in the year prior to withdrawal times the assessed value of the land in the year prior to withdrawal times the number of years the land was in the MFL minus the sum of the acreage share and yield taxes paid on that parcel; or (b) 5% of the value of the merchantable timber on the land. For land that was enrolled under the FCL but converted to the MFL, during the first 10 years under the MFL the withdrawal tax is calculated under both programs, and the higher of the two taxes is imposed. After 10 years, only the MFL withdrawal tax is calculated.

Under current law, once the process to withdraw land from the MFL is commenced, it generally cannot be reversed. Because the withdrawal tax can be substantial (based on data from the DNR, the average withdrawal tax in 2008 was about \$222 per acre), many MFL landowners would like to have an estimate of what the withdrawal tax could be before deciding whether or not they should keep their land in the MFL program.

When the withdrawal process is commenced, the DNR sends a request to the DOR for assistance in calculating the withdrawal fee on the affected land parcels. Based on data kept by the DOR, in 2008 about 250 MFL withdrawals (for about 230 landowners) were processed. The DOR does not keep data on the number of acres affected by these withdrawal requests. The number of withdrawal requests processed by the DOR can vary widely from year to year, depending on the number of applications filed with the DNR.

The bill permits an MFL landowner to file a request with the DOR to prepare (with the assistance of the DNR) an estimate of the withdrawal tax that could become imposed by the DNR if the land were withdrawn from the MFL program. Such a request must be accompanied by a non-refundable fee equal to the greater

of \$100 or \$5 per whole or partial acre being proposed for withdrawal. Any fees collected by the DOR would be deposited in the state general fund. If the landowner decides to actually withdraw the land from the MFL program, he or she will be liable to DNR for the withdrawal application fee (\$300) plus the withdrawal tax.

Since DOR does not currently keep data on the number of acres affected by MFL withdrawals, and since DOR is unable to estimate the potential number of MFL landowners who might wish to know the potential withdrawal tax that could be due on withdrawal from the program, the DOR is unable to reasonably estimate the fees that would be earned under the bill. However, to the extent that the current volume of MFL withdrawals is indicative of the potential interest, it is expected that the number of requests will be modest, and that any increase in DOR costs under the bill can be absorbed within existing budgetary authority.

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FED		
PRO/PRS		
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<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$Indeterminate increase	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Daniel Huegel (608) 266-5705		3/12/2010
Paul Ziegler (608) 266-5773		